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EUROPEAN EXTERNAL ACTION SERVICE



EUROPEAN COMMISSION - DIRECTORATE GENERAL FOR  
DEVELOPMENT AND COOPERATION - EUROPEAID

## **MULTIANNUAL INDICATIVE PROGRAMME (MIP) 2014-2017**

**COLOMBIA**

## **MULTIANNUAL INDICATIVE PROGRAMME (MIP) FOR COLOMBIA 2014-2017**

The MIP reflects the EU's response strategy in support of Colombia's efforts to tackle remaining development challenges. It has been elaborated in the perspective of phasing out bilateral co-operation in the country under the Development Cooperation Instrument, and therefore aims at consolidating results from previous interventions over a period of time limited to 2014-2017. It will pave the way for developing a new type of partnership with Colombia, in line with the country's economic performance and role as a global player and influential regional actor.

### **1. THE OVERALL LINES FOR THE EU RESPONSE**

#### **1.1. Strategic objectives of the EU's relationship with the partner country**

Colombia is on a positive trend of political reforms and economic and social progress. The EU looks at this country as one of its most prominent partners in Latin America and has an interest in the consolidation of stability based on democracy, peace and reduced social unbalances.

A stabilized internal situation will enable Colombia to unlock its development potential. It is also expected to liberate resources to further enhance its foreign policy and economic relations. The country is an ally for the EU in Latin America and at global level. The EU is committed to accompany its efforts to play a more assertive role on the international scene, be it to help address global challenges such as climate change or to help fragile or post-conflict States deal with security challenges.

The EU has also a particular interest in cooperating with Colombia in the fight against organised crime linked to drug production and trafficking and to illegal mining and logging which affects negatively stability on the Latin America continent as well as the EU's wider security interests. In addition, unregulated mining activities can also have a series of adverse environmental effects, and local populations – in particular indigenous groups – are not always sufficiently consulted on projects. Helping the Colombian State strengthen its presence in peripheral regions is an important element in this process.

The Development Cooperation Instrument (DCI) 2014-2020 establishes specific areas of cooperation for Latin America, among which for Colombia particular attention is to be given to those strengthening social cohesion, addressing governance issues, in particular regarding public institutions at sub-national levels, and supporting an active civil society, as well as promoting development aid for trade to ensure that micro-enterprises and SMEs can benefit from international trading opportunities.

The European Union has long supported Colombia's efforts to foster more inclusive economic and social development. In spite of the significant progress already achieved by Colombia in reducing poverty, especially over the last few years, the country is still characterised by huge imbalances in income and in access to social services as well as being affected by a long-running armed conflict, one of the consequences of which is restricted State access to parts of the territory. The gap between urban and rural areas in particular remains large, and is compounded by very unequal access to land in rural areas. Past interventions on the part of the EU have already helped address the specific problems of rural Colombia. These experiences could be replicated in areas where there is little State presence. EU efforts could play a paramount role in terms of supporting the government of Colombia to foster social equity and development.

An additional EU objective in the relations with Colombia is that the Multi-Party Trade Agreement (provisionally applied since August 2013) be implemented in a mutually satisfactory manner for the parties and that Colombia maximises the benefits that will accrue from it, which, if properly used, would help the country diversify its exports, move up the value chain and improve the competitiveness of its economy while spreading the benefits of decent work and ensuring environmental protection.

Another key priority for the EU is to assist Colombia with overcoming the consequences of the internal conflict between the government and guerrilla groups and its ramifications with post-demobilization armed groups (notably in remote rural areas), which has been a major obstacle to development and security in the country, as well as in the wider region. Past and current EU interventions, including in the area of rural development, have already helped respond to these challenges. They should be consolidated, especially with the prospect of a possible peace deal between the government and the FARC (revolutionary armed forces of Colombia).

Finally, on aid effectiveness, the government has made increasing efforts towards harmonisation and alignment of aid. It acceded to the Paris declaration in 2007. The government created a new Presidential Agency for International Cooperation in November 2011 and formulated a National Strategy for International Co-operation in 2012. The 2012-2014 International Co-operation Strategy is the product of dialogue between the government, the international community and the civil society. These coordination efforts are expected to be further sustained in the period post-2014.

Coordination of donors has in the past few years been strengthened with the creation of the Donor Group (*Grupo de Cooperantes*) in 2010 and the thorough revision of its architecture in 2012. The donor group works with the Presidential Agency for International Cooperation APC for strengthening the coordination of aid providers with government and developing a structured policy dialogue in key sectors of international aid.

## **1.2. Choice of sectors**

### **Preamble**

The definition of the two priority sectors is the result of ample exchanges with national authorities, and the definition of their contents has been subject to consultations with civil society and Member States' Missions in Colombia.

Both sectors are aligned to the National Development Plan (NDP) that runs from 2010 to 2014, the present government's mandate. The NDP embodies government's ambition of building a fairer and more inclusive Colombian society and aims to bring more employment, less poverty and more security. The plan has three pillars: (i) sustainable growth based on a more competitive, more productive and more innovative economy; (ii) equal opportunities for all, with a strong emphasis on rural development; (iii) the consolidation of peace throughout the territory, with the consolidation of security, full observance of human rights and effective functioning of justice.

The Plan has a strong regional focus, thereby recognising the important social and economic disparities between and within regions. It establishes a reference framework for differentiated public policies and programmes in conformity with the economic, social and cultural characteristics and capabilities of the territorial entities.

Additionally the National Development Plan includes four cross-cutting issues: i) innovation (science and technology), ii) good governance (fight against corruption), iii) participation in international trade, and iv) environmental sustainability.

The next NDP for the period 2015-2019 depends on the outcome of the 2014 presidential elections though sustainable development with territorial focus and increasing trade capabilities will continue to be among the main priorities. The NDP is indeed imbedded in a broader long term policy process called Vision Colombia 2019, structured on the basis of four broad objectives: economic development for better well-being; a society with more equality and solidarity; a society of free and responsible citizens; an efficient state apparatus at the service of the population. The here proposed focal sectors are also in line with this long term policy document.

Additionally, the European Commission's humanitarian aid and civil protection directorate-general (ECHO) actively coordinates with the UARIV (*Unidad de Atención y Reparación Integral a las Víctimas*), APC (*Agencia Presidencial de Cooperación Internacional*) and UNGRD (*Unidad Nacional para la Gestión del Riesgo de Desastres*) to address humanitarian needs in places where public services and response are hampered by illegal armed actors present in remote areas of the country.

### **Local economic development and institutional strengthening**

Colombia has made progress in coverage of social services such as basic health and education according to the multidimensional measures of poverty of the United Nations Human Opportunity Index. The population below the poverty line, in recent years, has been reduced by 1.5%, reversing the steady increase between 2005 and 2008; and the population in rural areas under the extreme poverty line decreased by 3.5%. This reduction of poverty is due to sustained economic growth, low levels of inflation, and the consolidation of a system of social protection schemes granting conditional cash transfers to the most vulnerable. According to the 2010 United Nations Human Development Report, Colombia has a Human Development Index of 0.719, ranking 91 out of 187 countries.

Despite these decreases in the general poverty indicators, inequality levels between regions, between the urban and rural areas and between ethnic groups are still alarmingly high. In rural areas (home to almost 30% of the population) the level of unsatisfied basic needs is around 33% (compared to 12.5% in urban areas) and poverty exceeds 64%. Poverty in Colombia varies also widely between territories: e.g. Bogotá has the lowest levels of poverty (13.1%) and Chocó, Cauca and Córdoba have the highest levels (64, 62 and 61.5%), respectively.

There is a common understanding among Colombian authorities and the donor community that one of the main challenges for the development of the country is the important inequality at the local level in terms both of capacities and of opportunities. This central obstacle to development is appropriately threaded throughout the National Development Plan, and the donor community is following government's lead on this issue.

The weak State presence in parts of the national territory in Colombia is also a factor of instability. It is related to the huge socio-economic disparities and the increase in illegal activities and related violence. Colombia has functioning institutions and public administration at central level, but lacks institutional strength and capacities at local level to assume the responsibilities and powers transferred by central government in terms of public service delivery, local development, and execution of budgets.

To be noted in this context is that almost one third of the poorest municipalities of the country (UBN index of above 50%) coincide with natural parks, protected areas or their buffer zones, where illicit activities take place such as the cultivation of coca plants, drugs and arms trafficking and antipersonnel mines which directly affect civilians living in such zones. These municipalities show high levels of poverty and are at the same time strongly affected by the armed conflict and organised crime. Often the only state presence is the park rangers of the national administration for natural parks. This administration is competent for the environmental planning of the territory and for ensuring the sustainable use of natural resources with a view of improving the livelihoods of the populations, in particular indigenous and Afro-Colombian communities that occupy these territories.

Work under this priority sector could also contribute to linking relief, rehabilitation and development (LRRD) in the context of Colombia's internal conflict and to building the resilience of the most vulnerable populations<sup>1</sup>. With the prospect of a peace deal between the Colombian government and the guerrillas, LRRD could receive renewed attention in particular in view of the development of the more remote, poverty stricken and conflict ridden areas of the country.

Particularly in these regions actions ensuring the delivery of basic public services by regional and municipal authorities will be crucial. At the same time the participation of those affected by the conflict in public policy formulation, thus contributing to a culture of transparency and accountability, will have to be strengthened so as to guarantee the sustainability of the development of these regions.

### **Sustainable trade and investment**

In spite of the weak indicators of broad regions in the country, Colombia has recorded strong and persistent levels of growth and FDI in the past decade. However, the economy relies heavily on the export of natural resources and shows high levels of informality. Informality undermines the investment climate and excludes a large number of SMEs from the potential benefits of free trade. The dependence on extractive industries has huge adverse effects on environmental, social and economic sustainability. Some extractive activities involve illegal armed groups, especially in remote areas.

From the point of view of the European Development Policy, as established in the regulation establishing the DCI, inclusive and sustainable economic growth is essential for poverty reduction and the development of micro-enterprises and SMEs has a critical role to play in this regard. There is good evidence that countries that have made trade a fundamental part of their development strategy have grown at a faster rate than those that have not. A critical challenge for countries like Colombia is how to obtain the full benefits of trade in order to achieve inclusive and sustainable growth and poverty reduction. There is a clear need to enhance the management capacities of local enterprises, to improve the access to markets for SMEs and cooperatives and to support reforms and policies that facilitate access to business and financial services that promote a sustainable industry, agriculture and innovation.

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<sup>1</sup> Resilience building is an overarching goal of development cooperation and humanitarian assistance as outlined in COM (2012)586 final of 3.10.2002 and SWD (2013)227 final of 19.6.2013. Resilience strategies should contribute to different policies, in particular food security, climate change adaptation and Disaster Risk Reduction (DRR).

In the chapter on “Sustainable Growth and Competitiveness” Colombia’s National Development Plan addresses development strategies in trade-related areas such as investment and finance, entrepreneurial and business development, agricultural development, as well as physical and human capital, innovation and institutional capacity building.

The Multi-Party Trade Agreement, which the EU is implementing with Colombia and Peru, contains also an important chapter on sustainable development and endeavours to promote high levels of labour and environmental protection in trade and investment. Furthermore, it contains a firm commitment from the EU to strengthen the institutional capacities of the country in order to allow Colombia to take full advantage of the benefits of the Agreement, with an emphasis on SMEs.

One of the main objectives of the EU’s cooperation is then to support Colombia’s efforts for poverty reduction through enhancing sustainable economic development processes, with a view to increase social cohesion levels. The second priority sector builds on the experience accumulated in the context of the Trade-Related Technical Assistance programme implemented in past years and the multiple trade-related initiatives in the context of local development projects in the peace laboratories.

Attention will be paid to the promotion of socio-economic rights, non-discrimination and equal opportunities for all, including the accessibility to employment of the most marginalised and vulnerable groups like indigenous peoples. Promotion of the UN guiding principles on business and human rights as well as women's empowerment in the private sector development could also be addressed. Gender issues will be duly taken into account during the identification and formulation phase.

Implementation modalities remain to be determined but could include, among others, direct management through project approach and/or budget support, if conditions allow; indirect management with Member States agencies, International Organisations or Latin American countries. The EU response may also be complemented by operations financed by the European Investment Bank. Cooperation with Colombia will also continue using other instruments as appropriate such as regional and thematic programmes, Horizon 2020 and the new Partnership Instrument.

## 2. FINANCIAL OVERVIEW

Sector	Focus	Amount percentage	Amount EUR million
Sector One	Local development and institution building	80 %	53.6
Sector Two	Sustainable trade and investment	15 %	10.0
	Support measures	5%	3.4
<b>Total</b>		100%	67.0

## 3. EU SUPPORT PER SECTOR

### 3.1. Local development and institution building

**Indicative amount: EUR 53.6 million (80% of allocation)**

This first priority sector is intended to close the cycle of local support programmes in the past decade, in particular the peace laboratories and their successor programmes as well as the local economic development programme, having generated a still incomplete network of local economic development agencies. This cycle could genuinely be closed if EU cooperation were to accompany the last step, i.e. lifting the accumulated experience up to public policy and facilitating its implementation by the Colombian State.

The interventions in this sector will follow a two-pronged approach with, on the one hand, capacity development of local authorities and institutions and, on the other hand, a focus on improvement of conditions for local productive development. For these areas of activity the geographical focus will be identified during the identification and formulation of programmes in accordance with the Government priorities and taking into account complementarity with other donors.

In order to achieve sustainable results of local development in terms of poverty reduction, increased social cohesion and environment protection, substantial improvement is needed in the quality of key instruments such as local development plans, territorial planning and financing mechanisms (involving the good management of royalties from mining and oil exploitation, local fiscal capabilities, local participatory budgeting and civil society participation, etc.). This also implies that the extraction of minerals and other natural resources is undertaken in a sustainable way, respecting basic principles of environmental standards.

In that context EU cooperation should pay particular attention to ensuring participation of local civil society in formulation and implementation of public policy, in particular at regional or municipal levels, and to strengthening its oversight capacity on the proper use of public funds.

**3.1.1.** The following **overall and specific objectives** will be pursued:

***Overall Objective:*** To reduce disparities between territories, through strengthening Local Economic Development and bringing back or strengthening public institutions in target regions where the State presence is weak.

***Specific Objective 1:*** Strengthen local planning and implementation capacities for effective and transparent public administration and financial management

***Specific Objective 2:*** Promote participatory policy development and implementation

***Specific Objective 3:*** Support local social and economic development based on coherent local development strategies

**3.1.2.** For each of the specific objectives the **main expected results** are:

***Expected Result 1.1*** Public service delivery at local level is improved, thus restoring confidence in public institutions

- Expected Result 1.2* Territorial planning for better management of natural resources and improved livelihoods of vulnerable population, local development plans and financing mechanisms are strengthened and effectively implemented
- Expected Result 2.1* Citizens' participation in policy development and implementation is increased
- Expected Result 3.1* The local economic structure is diversified and its development strengthened in coherence with the region's assets

**3.1.3.** The **main indicators** for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 3.

#### **3.1.4. Donor coordination and policy dialogue**

Donors prepare coordination and policy dialogue with government in the Economic Development Group, since 2013 chaired jointly by the EU and USAID. This group covers a broad range of related topics and in particular public finance management, local economic development, rural development and trade. The Humanitarian Donor Group is led by the EU.

In the context of the implementation of ongoing EU funded peace and development cooperation programmes, a broad inter-institutional coordination group, led by the Department for Social Prosperity, maintains a regular dialogue with the EU on the Peace and Development policy, the formulation of which is being supported by EU cooperation. This broad policy area covers issues of local development, territorial planning and citizens' participation.

In the particular field of local economic development the National Planning Department is leading a coordination and dialogue effort with the main relevant donors, namely the EU, Germany, Spain, the US, Japan, UNDP and the WB. The focus of these exchanges is the establishment of a local economic development policy, which is under development.

#### **3.1.5. Government's financial and policy commitments**

Government implements a series of programmes promoting local economic development, which in total absorb an annual budget of around EUR 21 million, i.e. almost a quarter of the overall budget of the Ministry of Trade. These programmes range from support to the consolidation of small businesses, formalisation, entrepreneurship, over stimulating the internal market, up to income generation of vulnerable populations.

In addition, government has several programmes ongoing aimed at strengthening decentralisation for an overall amount of ca. EUR 160 million. This includes in particular a programme for the strengthening of territorial capacities, partially funded with a World Bank loan of EUR 50 million. In addition, the Home Office manages a Fund for Participation and Strengthening of Democracy of around EUR 3 million.

Finally, the National Planning Department disposes of a budget of EUR 135 million for territorial planning investment projects. These projects include in particular support to national public administrations, as well as support to regional economic and social convergence and strengthening the capacities for monitoring and evaluation of policies.

The National Development Plan covering the period from 2010 to 2014 introduces the concept of territorial focus, to be mainstreamed in all public policies. This focus stems from the recognition of the existence of huge regional inequalities and aims at the balanced development and the convergence of all the country’s regions. As a consequence public policy should be formulated taking into account the specific features and capacities of each region and of each of the populations living in these regions. This will allow defining and implementing differentiated regional strategies that will lead to the consolidation of the more developed regions and the catching up of those regions that are lagging behind.

Already the Colombian constitution of 1991 and Law 152 of 1994 establish the obligation for local authorities to draft development plans for the duration of their mandate (4 years) and territorial management plans, covering the regulation of land use, with a validity of 12 years. This legal framework has been strengthened by Law 1454 of 2011 on territorial planning, promoting the creation of municipal associations, allowing thus a more coherent and efficient development process.

In addition, the National Development Plan foresees that a policy for local economic development should be established, which would make the local authorities go beyond their mere role of service delivery and become actors of their own development through the design of local strategies and instruments such as the Agencies for Local Economic Development.

**3.1.6. Overall risk assessment of the sector intervention**

<b>Possible major risks</b>	<b>Possible mitigating measures</b>
Institutions are weaker in rural areas and at local level, generating risks in terms of efficiency, corruption and cronyism or patronage	Promote the implementation of the National Planning Department’s strategy for the development of territorial capacities; provide capacity building especially in financial management
Illegal armed groups affect the stability in rural municipalities in peripheral regions	Support a stronger state presence in these regions
Government Effectiveness: government effectiveness has been improving over recent years, evolving from the 54th percentile rank in 2009 to the 63rd in 2011, according to the Worldwide Governance Indicator, though important challenges remain	Promote the effective implementation of policies for strengthening local capacities in public service delivery Support ongoing reforms in public administration contributing to officials' independence from political pressures
Corruption and fraud: Perception of corruption remains high	The revised anti-corruption statute law should be fully implemented and its provisions effectively enforced. The EU financed project “Institutional strengthening of the Colombian capacity for increasing integrity and transparency” contributes to this measure.

Instability following peace deal (such as territorial disputes among remaining armed actors over handling drug business, i.e. post-demobilization armed groups and ELN guerrillas)	Support a stronger state presence in these regions  EU remains engaged with post-peace support package
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### 3.2. Sustainable trade and investment

**Indicative amount: EUR 10 million (15% of allocation)**

The second priority sector is clearly oriented to using trade as an instrument for poverty reduction. This pro-poor focus is also present in the Chapter on Trade and Sustainable Development of the Trade Agreement between the EU and Colombia, in which the parties to the agreement establish these broad areas for cooperation: compliance with labour and environmental standards, conservation and sustainable use of biodiversity and natural resources, and exchange of information and experiences in relation with good practices of corporate social responsibility.

As defined in the EU Strategy on Aid for Trade, which the Commission and EU governments adopted in 2007, cooperation in this field should not be limited to technical assistance for the drafting and implementation of trade policy and for export promotion. It should envisage a broader perspective and encompass trade-related infrastructure, trade-related assistance and private sector development, which will all help Colombia maximise the opportunities offered by the Trade Agreement with the EU in terms of economic and social development and poverty reduction.

Therefore, other areas of cooperation are also relevant for sustainable economic development, allowing higher levels of social cohesion and reducing poverty. These areas include the promotion of competitiveness, innovation, productive modernisation, trade facilitation and transfer of technology. Special emphasis is to be put on the development of the SME sector, as a means of poverty reduction. In this context, a particular focus could be put on investment in low greenhouse gas emission, climate resilient infrastructure in Colombia. Finally, the promotion of fair trade and green business is recognised as a tool facilitating the access to the benefits of the trade agreement for all productive sectors.

#### 3.2.1. The following **overall and specific objectives** will be pursued:

**Overall Objective:** To strengthen equitable and sustainable economic policies conducive to the creation of decent jobs, through promoting fair and competitive trade

**Specific Objective 1:** Mainstream sustainable development in the design and implementation of trade-related policies and regulations

**Specific Objective 2:** Enhance SME adaptation to new market conditions and opportunities, including by reducing the informal economy and enhancing their competitiveness and access to innovation

**3.2.2.** For each of the specific objectives the **main expected results** are:

- Expected Result 1.1* Policy, institutional and legal framework complies with Colombia's international commitments and human rights standards (incl. on labour and environmental protection, intellectual property, public health, culture, public procurement and human, animal and plant safety measures)
- Expected Result 1.2* Formal job creation through enhanced trade and investment
- Expected Result 2.1* Increased compliance of SMEs with relevant standards and technical regulations
- Expected Result 2.2* Improved access of SME to trade-related public services and public procurement, as well as new technologies and innovation
- Expected Result 2.3* Inclusive business models, which expand access to goods, services, and livelihood opportunities for those at the base of the global economic pyramid in commercially viable, scalable ways, are being broadly applied

**3.2.3.** The **main indicators** for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 3.

#### **3.2.4. Donor coordination and policy dialogue**

In the context of the Donor Group the sub-group on economic development also covers the coordination of cooperation in support of trade related issues. Cooperation in this area is increasing with the government of Colombia embarking on a growing number of free trade agreements. Various donors are shifting their cooperation from the traditional social sectors to trade and private sector development issues.

Policy dialogue on trade between the EU and the Colombian government takes place in the context of the trade agreement, which foresees a framework allowing to address all relevant issues that may arise regarding the interaction between trade, social, environmental and human rights objectives. Particular attention is given to issues such as sustainable forest management, illegal fishing and fisheries governance, cooperation on climate change issues, non-discrimination in working conditions, or the adoption of precautionary protection measures.

#### **3.2.5. Government's financial and policy commitments**

The National Development Plan foresees that the country will need an annual growth rate of around 6% at least so as to ensure its socially and environmentally sustainable development. To that end, actions are required to improve innovation levels, competitive strength and productivity, and to support in particular those sectors that can directly or indirectly drive economic growth and employment generation. To achieve such a growth rate the investment rate as a percentage of GDP should reach 30%.

In that context, the Ministry of Trade, Industry and Tourism has committed in 2013 an overall amount of around EUR 120 million, 40% of which have been allocated to sustainable trade related policies.

Government’s support to SMEs and to entrepreneurship amounted to close to EUR 25 million, while productive transformation has absorbed over EUR 13 million. Other trade supporting measures had a cost of about EUR 9 million.

**3.2.6. Overall risk assessment of the sector intervention**

<b>Possible major risks</b>	<b>Possible mitigating measures</b>
Vulnerability and exogenous shocks: deterioration in global growth would adversely impact Colombia’s commodity exports, remittances, and foreign direct investment; Colombia relies heavily on the export of commodity goods	Support the functioning of Royalty Funds created to enable the accumulation of resources in times of abundance and the availability of resources in times of scarcity, in particular in the case of local governments  Support diversification of exports and increased value-added in the production process
Social unrest and protest against free trade policies grow for lack of appropriate accompanying policies or weak and slow implementation of these policies	Support the improvement of accompanying public policy regarding productivity and employment in particular, and stronger implementation capacities in particular at the local level  Enhance the competitiveness of the local industry

**3.3. When needed, the appropriate type of environmental assessment will be carried out**

The environmental assessment and climate risk assessment procedures in the Guidance for the Integration of Environment and Climate Change in EU Development Cooperation will be applied to determine the need for an environmental assessment (Strategic Environmental Assessment SEA in the case of a sector support programme or Environmental Impact Assessment EIA in the case of a project) and/or a Climate Risk Assessment. Even if an environmental assessment or a CRA is not deemed necessary, the screening questionnaire will help identify environmental and climate change (adaptation and mitigation) aspects that could be integrated in the project/programme formulation in order to enhance their environmental and climate change performance (see guidelines: <http://capacity4dev.ec.europa.eu/public-environment-climate/documents>).

#### **4. SUPPORT MEASURES**

**Indicative amount: EUR 3.4 million (5% of allocation)**

The main aim of such measures is capacity building and providing technical assistance in a more efficient and structured manner. These resources are envisaged to support communication and visibility activities to raise awareness of EU aid. They can also support thematic studies and impact assessments of projects, the formulation of public policies and policy dialogue, short-term technical assistance – including assistance in monitoring the quality of Colombia's official statistics and taking corrective measures as appropriate – as well as support aid efficiency initiatives such as donor coordination and division of labour.

#### **Annexes:**

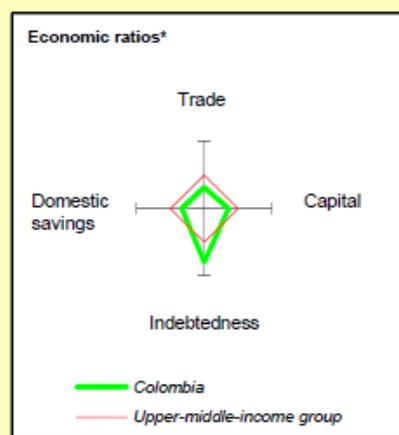
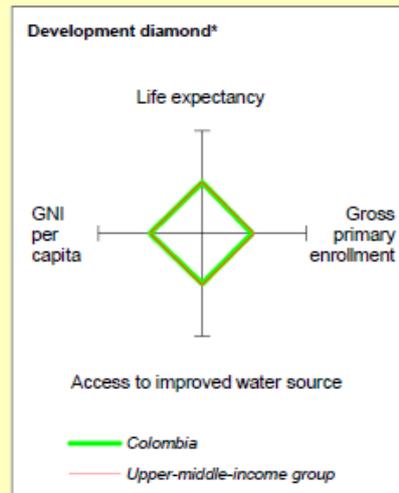
1. Country at a glance
2. Donor matrix showing indicative allocations per sector
3. Sector intervention framework and performance indicators
4. Indicative timetable for commitment of funds

## Annex 1 – Country at a glance

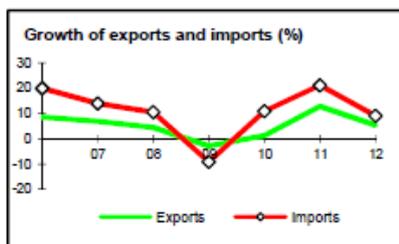
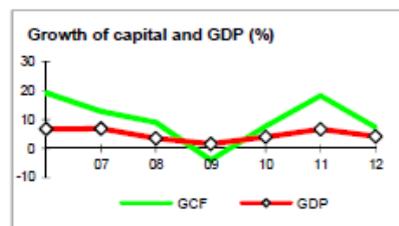
# Colombia at a glance

3/15/14

POVERTY and SOCIAL	Colombia	Latin America & Carib.	Upper-middle-income	
<b>2012</b>				
Population, mid-year (millions)	47.7	581	2,391	
GNI per capita (Atlas method, US\$)	7,020	9,070	6,969	
GNI (Atlas method, US\$ billions)	334.8	5,273	16,661	
<b>Average annual growth, 2006-12</b>				
Population (%)	1.4	1.2	0.8	
Labor force (%)	2.6	1.9	0.9	
<b>Most recent estimate (latest year available, 2006-12)</b>				
Poverty (% of population below national poverty line)	33	..	..	
Urban population (% of total population)	76	79	61	
Life expectancy at birth (years)	74	74	74	
Infant mortality (per 1,000 live births)	15	16	16	
Child malnutrition (% of children under 5)	3	3	3	
Access to an improved water source (% of population)	91	94	93	
Literacy (% of population age 15+)	94	91	94	
Gross primary enrollment (% of school-age population)	107	113	111	
Male	109	115	111	
Female	105	111	110	
<b>KEY ECONOMIC RATIOS and LONG-TERM TRENDS</b>				
	1992	2002	2011	2012
GDP (US\$ billions)	49.3	97.9	336.6	369.6
Gross capital formation/GDP	16.7	17.3	23.7	23.4
Exports of goods and services/GDP	17.7	14.8	18.9	18.3
Gross domestic savings/GDP	18.7	13.9	22.9	21.9
Gross national savings/GDP	18.0	13.7	19.6	18.9
Current account balance/GDP	1.8	-1.3	-2.9	-3.2
Interest payments/GDP	2.8	2.2	1.1	1.1
Total debt/GDP	35.4	33.1	22.8	21.4
Total debt service/exports	41.5	45.1	15.3	21.9
Present value of debt/GDP	..	..	..	18.5
Present value of debt/exports	..	..	..	96.8
	1992-02	2002-12	2011	2012
<i>(average annual growth)</i>				
GDP	2.1	4.8	6.6	4.2
GDP per capita	0.3	3.2	5.2	2.8
Exports of goods and services	3.9	5.4	12.9	5.4



STRUCTURE of the ECONOMY	1992	2002	2011	2012
<i>(% of GDP)</i>				
Agriculture	15.8	9.2	6.9	6.5
Industry	35.0	29.8	37.9	37.5
Manufacturing	19.8	15.2	13.6	13.0
Services	49.3	61.0	55.3	56.0
Household final consumption expenditure	71.8	69.7	61.1	61.5
General gov't final consumption expenditure	9.5	16.4	16.1	16.5
Imports of goods and services	15.8	18.2	19.8	19.7
	1992-02	2002-12	2011	2012
<i>(average annual growth)</i>				
Agriculture	-1.9	1.7	2.4	2.6
Industry	0.0	4.8	8.0	3.0
Manufacturing	-1.9	3.3	5.0	-0.5
Services	3.8	4.9	5.7	4.9
Household final consumption expenditure	3.2	4.5	6.6	4.3
General gov't final consumption expenditure	9.6	5.0	3.6	5.1
Gross capital formation	-2.4	10.3	18.2	7.3
Imports of goods and services	2.7	10.2	21.2	9.1

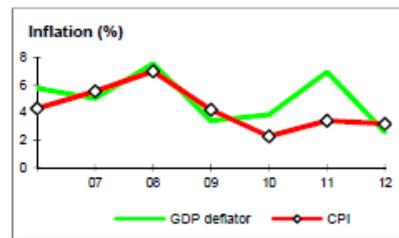


Note: This table was produced from the Development Economics LDB database.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

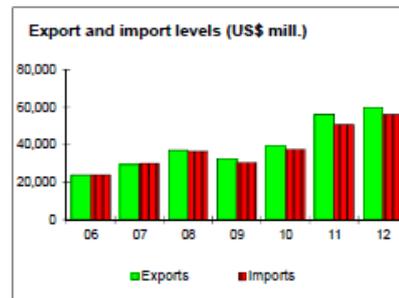
## PRICES and GOVERNMENT FINANCE

	1992	2002	2011	2012
<i>Domestic prices</i>				
<i>(% change)</i>				
Consumer prices	27.0	6.4	3.4	3.2
Implicit GDP deflator	22.2	6.0	7.0	2.6
<i>Government finance</i>				
<i>(% of GDP, includes current grants)</i>				
Current revenue	25.1	24.5	25.8	26.9
Current budget balance	6.7	2.9	5.1	6.0
Overall surplus/deficit	-0.1	-3.4	-2.0	0.2



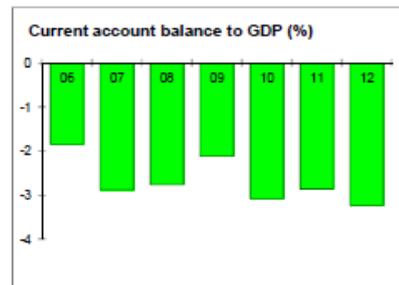
## TRADE

	1992	2002	2011	2012
<i>(US\$ millions)</i>				
Total exports (fob)	7,263	11,862	56,216	59,922
Coffee	1,259	772	2,608	31,446
Petroleum products	1,396	3,275	27,954	827
Manufactures	2,272	4,893	10,798	9,650
Total imports (cif)	6,626	11,653	50,728	56,224
Food	422	1,395	4,721	5,281
Fuel and energy	348	172	3,756	4,074
Capital goods	2,211	3,857	19,200	22,035
Export price index (2000=100)	..	109	211	211
Import price index (2000=100)	..	117	132	132
Terms of trade (2000=100)	..	93	160	160



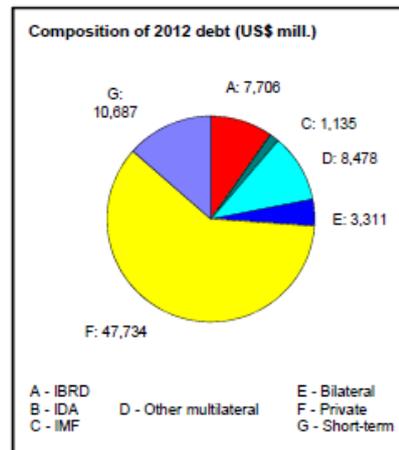
## BALANCE of PAYMENTS

	1992	2002	2011	2012
<i>(US\$ millions)</i>				
Exports of goods and services	9,257	14,251	63,176	66,869
Imports of goods and services	8,262	15,379	61,717	67,433
Resource balance	994	-1,128	1,459	-563
Net income	-1,852	-2,875	-16,039	-15,927
Net current transfers	1,734	2,706	4,938	4,583
Current account balance	876	-1,298	-9,643	-11,907
Financing items (net)	450	1,159	5,898	6,485
Changes in net reserves	-1,326	138	3,744	5,423
<i>Memo:</i>				
Reserves including gold (US\$ millions)	7,908	10,844	31,896	36,998
Conversion rate (DEC, local/US\$)	680.1	2,505.0	1,847.0	1,797.8



## EXTERNAL DEBT and RESOURCE FLOWS

	1992	2002	2011	2012
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	17,451	32,447	76,782	79,051
IBRD	3,195	2,348	7,583	7,706
IDA	13	6	0	0
Total debt service	4,025	6,749	10,090	15,503
IBRD	959	345	547	581
IDA	1	1	0	0
<i>Composition of net resource flows</i>				
Official grants	89	97	776	573
Official creditors	-410	-4	537	2,773
Private creditors	-12	-1,292	9,469	3,062
Foreign direct investment (net inflows)	729	2,134	13,403	15,649
Portfolio equity (net inflows)	0	17	1,969	3,778
<i>World Bank program</i>				
Commitments	466	187	590	610
Disbursements	261	480	380	427
Principal repayments	681	232	297	335
Net flows	-420	248	84	91
Interest payments	278	115	250	246
Net transfers	-698	133	-167	-154



Note: This table was produced from the Development Economics LDB database.

3/15/14

**Annex 2 - Donor matrix showing indicative allocations per sector**

Lineas	Sublineas	Francia	Suiza	Suecia	Noruega	España	Holanda	Reino Unido	Korea	Japon	EEUU	BM	BID	CAF
Desarrollo Economico y Fortalecimiento Institucional	Desarrollo Economico Local		X			X	X	X	X	X	X	X	X	X
	Ordenamiento Territorial			X		X	X	X		X	X	X	X	X
	Descentralizacion	X				X					X	X	X	
	Fortalecimiento de Autoridades Locales		X	X	X	X					X	X	X	
	Participación ciudadana			X	X	X		X			X	X	X	
Comercio	Comercio Sostenible		X						X				X	X
Comercio	Comercio Sostenible		X						X				X	X

**Annex 3 - Sector Intervention Framework**

<p><b>Sector 1 – Local development and institution building</b></p> <p><b>Overall Objective:</b> to reduce disparities between territories, through strengthening Local Economic Development and bringing back or strengthening public institutions in target regions where state presence is weak.</p>		
<p><b>Specific Objective 1:</b> Strengthen local capacities for effective and transparent public administration and financial management</p>		
Expected Results	Indicators	Means of verification
<p>Expected Result 1.1 Public service delivery at local level is improved, thus restoring confidence in public institutions</p>	<p><b>Indicator 1.1.1</b> Index of municipal comprehensive performance, a composite indicator applied by DNP measuring compliance with targets of local development plans, ratio investment / services delivered, compliance with financial execution rules, financial execution levels and human resources capacities. (annual)</p> <p><b>Indicator 1.1.2</b> Index of transparency (an index developed annually on perception of corruption levels as prepared by <i>Transparencia por Colombia</i>)</p> <p><b>Indicator 1.1.4</b> Index of Open Government: composite indicator using data concerning implementation of ICS, archiving, publicity of tendering procedures, level of information to the public, public hearings, replies to citizens</p>	<p>National Planning Department (DNP) – territorial development division</p> <p>Transparencia por Colombia, local branch of Transparency International</p> <p>Procuraduria general de la Nación (Colombian institution part of the Public Prosecutor’s structure, competent for public administration)</p>
<p>Expected Result 1.2 Territorial planning for better management of natural resources and improved livelihoods of vulnerable population is strengthened and effectively implemented</p>	<p><b>Indicator 1.2.1.</b> Number of municipalities and departments with coordinated territorial planning schemes, as established by Law 1454 of 2011 in the context of associations of municipalities</p> <p><b>Indicator 1.2.2.</b> Number of families of ethnic groups and of peasant population whose communities have signed with PNN (National Administration of Natural Parks) formal Agreements on local use and management of renewable natural resources</p>	<p>National Planning Department – territorial development division</p> <p>Ministry of the Environment / Regional environmental authorities National Natural Parks administration</p>

<b>Specific Objective 2:</b> Promote participatory policy development and implementation		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
Expected Result 2.1 Citizens' participation in policy development and implementation is increased	<b>Indicator 2.1.1</b> Number of local CSOs having registered as Citizens' Committees for Oversight and Control (Veeduría) of local public administration and policy as established by Law 850 of 2003  <b>Indicator 2.1.2</b> Number of public hearings annually organised by the Citizens' Committees of Law 850	National planning department Home Office
<b>Specific Objective 3:</b> Support local social and economic development		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
Expected Result 3.1 The local economic structure is diversified and its development strengthened in coherence with the region's assets	<b>Indicator 3.1.1</b> Number of local or regional development projects presented yearly to the Regional Compensation Fund (Royalties Fund) by local authorities of the least developed regions  <b>Indicator 3.1.2</b> Number of newly created Public Private Institutional Partnerships (PPIP*) <i>* PPIPs are defined as not for profit local organisations including representatives of "local administrations, of national institutions' branches at local level, of producers associations, of civil society, of local communities, universities, training centres, financial institutions", developing strategies and actions in favour of local economic development</i>	National Planning Department – Royalties Directorate OCAD ( <i>Organos Colegiados de administración y decisión</i> ) in charge of selecting for financing the projects submitted by local authorities  Chambers of commerce Bancoldex (public development bank)

## Sector 2 – Sustainable trade and investment

**Overall Objective:** to strengthen equitable and sustainable economic policies conducive to the creation of decent jobs, through promoting fair and competitive trade

**Specific Objective 1:** Mainstream sustainable development in the design and implementation of trade-related policies and regulations

Expected Results	Indicators	Means of verification
Expected Result 1.1 Policy, institutional and legal framework complies with international commitments and human rights standards (incl. on labour and environmental protection, intellectual property, public health, culture, public procurement and human, animal and plant safety measures)	<p><b>Indicator 1.1.1</b> – Progress in the implementation of prioritised international conventions concerning</p> <p>(i) Forced or compulsory Labour, (ii) Equal remuneration for men and women for work of equal value, (iii) International Trade in Endangered Species, (iv) Freedom of association and protection to the right to organise</p> <p><b>Indicator 1.1.2</b> – Number of yearly submissions of final legislative drafts or policy documents (CONPES) by the Ministry of Trade or National Planning Department reforming trade policies or restructuring trade-related public institutions</p> <p><b>Indicator 1.1.3</b>– Progress in the implementation of the Extractive Industries Transparency Initiative (EITI) standards (improve openness and accountable management of revenues from natural resources)<sup>2</sup></p>	<p>Relevant monitoring bodies under each convention</p> <p>Ministry of Trade, Industry and Tourism National Planning Department</p> <p>EITI reports</p>
Expected Result 1.2 Formal job creation through enhanced trade and investment	<p><b>Indicator 1.2.1</b> Number of MSMEs formally registered</p> <p><b>Indicator 1.2.2</b> Number of people formally employed in MSMEs in manufacturing and services sectors</p>	<p>Ministry of Trade Single business and social register (RUES) / Confecamaras National Statistics Department</p>
<b>Specific Objective 2:</b> Enhance SME adaptation to new market conditions, including by reducing the informal economy and enhancing their competitiveness and access to innovation		
Expected Results	Indicators	Means of verification
Expected Result 2.1 Increased compliance of SMEs with relevant standards and technical regulations	<p><b>Indicator 2.1.1</b> – Number of SMEs participating yearly in training activities regarding compliance with standards and technical regulations</p> <p><b>Indicator 2.1.2</b> – Number of projects promoting compliance with standards and technical regulations that the</p>	<p>Ministry of Trade, Industry and Tourism Chamber of Commerce Ministry of Trade</p>

<sup>2</sup> Note: Colombia has announced plan to submit an application during the first semester of 2014.

	<p>Regional Commissions for Competitiveness (CRC)<sup>3</sup> select each year for financing</p> <p><b>Indicator 2.1.3</b> – Number of SMEs with Fair Trade Certifications</p> <p><b>Indicator 2.1.4</b> – Number of SMEs complying with organic production standards</p>	<p>Fairtrade Platform FLO-CERT</p>
<p>Expected Result 2.2 Improved access of SME to trade-related public services and public procurement, as well as new technologies and innovation</p>	<p><b>Indicator 2.2.1</b> – Number of SMEs applying for trade related services of the public and private trade promotion agencies and chambers of commerce</p> <p><b>Indicator 2.2.2</b> – Number of SMEs participating in public procurement procedures</p>	<p>Ministry of Trade, Industry and Tourism ProExport Chambers of Commerce COLCIENCIAS (Department of science, technology and innovation)</p> <p>Electronic platform of public procurement Court of auditors</p>
<p>Expected Result 2.3 Inclusive business models which expand access to goods, services, and livelihood opportunities for those at the base of the global economic pyramid in commercially viable, scalable ways, are being broadly applied</p>	<p><b>Indicator 2.3.1</b> – Number of Regional Competitive Plans, as adopted by CRCs, that have included the promotion of inclusive business models</p> <p><b>Indicator 2.3.2</b> – Number of companies applying inclusive business models with SMEs in their value chain</p>	<p>Ministry of Trade, Industry and Tourism</p> <p>Chambers of Commerce</p>

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<sup>3</sup> Each department has a CRC constituted by the governorship, municipalities, chambers of commerce, universities, private sector, civil society and coordinated at national level by the Ministry of Trade, in charge of coordinating the policies for strengthening the region's competitiveness.

#### Annex 4 - Indicative timetable for the commitment of funds

	<b>Indicative Allocation</b> Million €	<b>2014</b> Million €	<b>2015</b> Million €	<b>2016</b> Million €	<b>2017</b> Million €
SECTOR 1 – Local economic development and institutional strengthening	€ 53.6		53.6		
SECTOR 2 – Sustainable trade and investment	€ 10.0		10.0		
Support Measures	€ 3.4		2.0	1.4	
<b>Total Commitments</b>	<b>€ 67.0</b>		<b>65.6</b>	<b>1.4</b>	